

Summary of the Governor's Report – January-February 2024

The Governor's Report for January and February 2024 provides an overview of key activities of the Central Bank concerning implementation of targets and objectives defined by the Central Bank of Montenegro Policy for 2024, on a monthly basis.

In January and February, activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2024.

According to preliminary MONSTAT data, based on quarterly assessments, Montenegro's real annual GDP increased by 6% in 2023. In all four quarters of 2023, there was a real growth recorded: 6,2%, 6,9%, 6,6% and 4,3%, in relation to the same quarter of the previous year.

In February 2024, consumer prices were 0.4% higher in relation to the previous month, and 4.3% higher y-o-y.

According to preliminary MONSTAT data, industrial output recorded the year-on-year decline of 1.2% during the first two months of 2024. Production decrease of 21.7% was recorded in the electricity, gas and steam supply sector, while growths were recorded in manufacturing industry and the mining and quarrying sector of 27.5% and 24.8%, respectively.

According to preliminary data, 110,542 tourists visited Montenegro during the first six months of 2024, which is 10.36% less compared to the same period of the previous year. At the same time, tourist overnights reached 802,455, which the year-on-year decline of 18.23%. Number of foreign tourist arrivals decreased by 10.06%, while the number of foreign tourist overnights declined by 18.61%.

MONSTAT's preliminary data indicate that passenger transport in 2023 recorded significant year-on-year growth in all types of transport. Passenger transport via railways rose by 9.8%, road passenger transport rose by 8.4% while air passenger transport rose by 30.6%.

In 2023, according to preliminary MONSTAT data, construction recorded a decrease of 7.88% y-o-y, measured in terms of the value of executed construction works, as well as a decrease of effective working hours of 4.04% y-o-y.

In February 2024, the average number of employed persons amounted to 248,432, which is an increase of 0.54% compared to the previous month and 6.87% more in relation to February 2023. In February 2024, the number of unemployed persons amounted to 38,014, which represents a monthly decrease of 0.39% and a decrease of 14.83% compared to February 2023.

The total number of economic entities that are listed as active in the Central Register of Economic Entities, and that have active accounts in the Central Register of Transaction Accounts as of 29 February 2024 amounted to 62,902, of which 16,858 or 26.8% were blocked. Compared to the previous month, the number of blocked business entities increased by 1.53% and by 3.89% compared to the same month of 2023. At end-February 2024, total amount of debt being the basis for freezing of accounts amounted to 1,184,467,486.91 million euros, showing a monthly decrease of 0.19%, while it recorded an annual increase of 19.87%.

Of the total number of blocked economic entities on 29 February 2024 (16,858), 1,609 were in continuous blockade for up to 365 days, with frozen amount amounting to 44,355,745.75 euros, which is 3.74% of the total amount of blocked economic entities, while there were 15,249 economic entities in continuous blockade for more than 365 days with frozen funds totalling 1,140,111,741.16 euros, which makes up 96.25% of the total amount of frozen funds of economic entities.

Debt concentration as at 29 February 2024 was relatively high, because the 10 largest blocked economic entities (0.06% of the total recorded blocked economic entities) accounted for 29.87% of the total debt on the basis of which accounts were blocked. In addition, 50 of blocked business entities (0.3% of total number of blocked business entities) accounted for 51.08% of the total debt used as the basis for the account blockage.

The total assets of banks at end-February 2024 amounted to 6,666.21 million euros, which represents the annual growth of 226.91 million euros or 3.52%. In terms of the structure of banks' assets, total loans make up the dominate share. At end-February 2024 total loans amounted to 4,164.66 million euros, which is 9.31% higher in year-on-year yet 0.18% lower relative to the previous month.

Past due loans (without interest and prepayments accruals) amounted to 115.91 million euros at the end of February 2024, and compared to February 2023 they recorded a decrease of 26.34%, while compared to the previous month, they recorded a decrease of 13.99%.

At end-February 2024, non-performing loans (without interests, and prepayments and accruals) amounted to 212.39 million euros and made up 5.1% of total loans. In relation to 2023, they declined by 0.52 pp, and in relation to the previous month they fell by 0.01 pp.

Banks' deposits amounted to 5,398.21 million euros in February 2024 and they recorded a year-on-year increase of 3.19%, and a 0.07% growth in relation to the previous month. Total capital of banks at end-February 2024 amounted to 848.79 million euros, which is a year-on-year increase of 20.59% and an increase of 1.3% in relation to the previous month.

The weighted average lending effective interest rate on total loans granted amounted to 6.65% at end-February 2024, which represents a year-on-year growth of 0.52 pp and monthly growth of 0.05 pp. The weighted average lending effective interest rate on new loans amounted to 7.5% in February 2024, recording the year-on-year increase of 0.45 pp and a 0.63 pp increase month-on-month. The weighted average deposit effective interest rate (WADEIR) amounted to 0.25%, recording a year-on-year decrease of 0.03 pp while it remained the same in relation to the previous month.

At end-February 2024, reserve requirement of banks amounted to 288.25 million euros, which represents a y-o-y growth of 19.19 million euros or 7.13%, while it recorded a monthly decline of 2.15 million euros or 0.74%. During February 2024, all banks allocated and maintained reserve requirements within prescribed limits. In the total allocated reserve requirement, 71.09% was allocated to the reserve requirement account in the country, while 28.91% was allocated to the CBCG account abroad.

Gross insurance premium amounted to 31.45 million euros during the first two months of 2024. Non-life insurance premiums accounted for the main share in its structure with 82.89%, while invoiced life insurance premiums accounted for the remaining 17.11%.

The effected turnover at the Montenegro Stock Exchange was 718,658 million euros in the first two months of 2024, being 69.98% lower year-over-year. Market capitalisation as at 29 February 2024 amounted to 2,513.75 million euros, recording an annual decrease of 28.74%, but also a monthly decline of 0.36%.

The SE index MONEX stood at 14,913.65 index points, recording a 1.07% year-on-year growth, and the monthly decrease of 2.63%. The SE index MNSE10 amounted

to 992.08 index points, recording annual decrease of 3.94% and a monthly decrease of 4.17%.

According to the Ministry of Finance preliminary data, source revenues of the Budget for the first two months of 2024 amounted to 333.94 million euros and they were 8.81% higher than planned revenues and 7.71% higher y-o-y. Budget expenditures reached 352.39 million euros and they were 15.59% lower than planned and 23.41% higher at the annual level. The fiscal deficit reached 18.45 million euros or 0.26% of the estimated annual GDP.

At end-December 2023, according to the Ministry of Finance data, the government debt amounted to 4,126.81 million euros or 60.27% of GDP. Of this amount, domestic debt accounted for 542.62 million euros or 7.92% of GDP, the external debt accounted for 3,517.29 million euros or 51.37%, while the debt of local self-government units accounted for 66.90 million euros or 0.98% of GDP. The net state debt of Montenegro amounted to 58.04% of GDP.

In January and February, the Central Bank continued with the activities aimed at meeting the requirements on the road towards Montenegro's accession to the EU. Among other things, evaluations of the relevance of CELEX numbers concerning the competence of the CBCG were submitted to the Ministry of European Affairs within the framework of negotiation Chapter 4 - Free movement of capital, Chapter 9 - Financial services, chapter 17 - Economic and monetary union and Chapter 18 - Statistics. In the context of the implementation of obligations from the Stabilization and Association Agreement and regular dialogue with the European Commission, a meeting of the Stabilization and Association Committee was held. In the light of the annual assessment of the Economic Reforms Program of Montenegro (ERP) for 2024-2026, a meeting with representatives of the European Central Bank was held. A meeting was held with representatives of the Bank of Italy regarding the TIPS *clone* project. An expert mission of the National Bank of Austria was carried out in connection with the implementation of a bilateral measure on the subject of the *GDPR*.

With a view to fostering and maintaining a sound banking system, Montenegro's banking sector was subject to continuous supervision and analysis. International reserves were managed in line with the principles of liquidity and safety. Activities regarding the Central Bank's function of the fiscal agent were also successfully performed. RTGS and DNS systems availability amounted to 100% in January and February 2024.

In line with the highest transparency standards, the general public was timely informed about the activities, objectives, and results of the CBCG operations via media releases, publications, web presentations, and media appearances. Pursuant to the Payment System Law, the Central Bank continued to publish on its website the information on legal entities and entrepreneurs whose accounts were blocked.